Province of
British Columbia

Ministry of
Consumer and
Corporate Affairs

Consumer Affairs Program
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Victoria
British Columbia V8W 3E6
Phone: (604) 387- 3548

Tabled: Feb 11/85

February 3, 1984

The Honourable James J. Hewitt
Minister of Consumer and Corporate Affairs
Parliament Buildings
Victoria, B.C.
V8V 1X4

Honourable Minister:

I have the honour to submit for your consideration the Trade Practice Act Annual Report for the calendar year ending December 30, 1983.

The Report is delivered in accordance with the reporting provisions of Section 34 of the Trade Practice Act.

Respectfully submitted

M. Hanson

Michael Hanson
Director of Trade Practices

Attachments

TRADE PRACTICE ACT

Annual Report - 1983

The accuracy of claims made during the sale of franchises was examined during investigations carried out in 1983. A person wanting to start their first business is often unsophisticated and credulous, and sometimes pays heavily to find that the promised returns cannot be achieved.

Sales on consignment gave rise to a number of investigations, and sales promotions which contained deceptive claims of a second item at little or no cost, seemed to provide significant areas of abuse.

Where our investigations produce facts which disclose breaches of Federal legislation, or the Criminal Code, we receive excellent cooperation from the law enforcement agencies concerned.

The following are details of some interesting cases which were concluded during the year:

EUROPEAN SPA FITNESS CENTRES

This suppliers' advertising was monitored for a period of twelve months, and it was found that a half price membership sale was continuously in progress. Very few memberships were sold at the "regular price". Consumers could therefore, anticipate a price saving which did not actually exist.

The suppliers signed an Assurance of Voluntary Compliance that promised to insure that any sale prices, or other references to a price benefit, were accurate and meant a genuine reduction from a normal membership price. Those persons who had paid the regular price, had their contract period doubled.

The suppliers made a unique offer to provide complementary membership to those patients completing physiotherapy treatment at the GF Strong Rehabilitation Centre, and this was incorporated into the Assurance.

GEORGE DIMOR MOTORS LTD.

This supplier agreed to sell a motor home on consignment for $20,000.00. The consumer was told that the home had been sold for $16,685.00, when in fact it had been sold for $24,995.00. The lower amount represented the sum necessary to repay an outstanding finance agreement.

The supplier pleaded not guilty, was convicted and fined $3,000.00.

PACIFIC HONDA AUTOMOBILE LTD.

This supplier offered a free deluxe locking ski rack with every purchase of an automobile, in an advertisement. A consumer purchased an automobile, but was refused a ski rack because she had bargained a particular attractive price for the vehicle. No conditions attached to the supply of the ski racks were included in the advertisement.

The supplier pleaded guilty, was fined $1,250.00 and ordered to pay the consumer $140.00.

SANSOM DISTRIBUTORS LTD.

The supplier circulated flyers offering gifts as part of a promotion. Consumers were invited to telephone with a sealed number to find out which prize or gift they were to receive. Neither the flyer or the telephone conversation disclosed that the true purpose of the solicitation was to demonstrate and sell vacuum cleaners. A condition that the recipient should be currently employed was also not disclosed before receiving the item.

The supplier signed an Assurance of Voluntary Compliance promising to comply generally with the Trade Practice Act, and to disclose the true purpose or intent of future solicitations including any conditions which may apply to the transaction.

## ENFORCEMENT PROCEEDINGS COMPLETED AS AT DECEMBER 31, 1983

| YEAR | RECEIVER SEC. 13A | AVC SEC. 17 | INJUNCTIONS & DECLARATIONS SEC. 18 | SUBSTITUTE ACTIONS & DEFENCES SEC. 24 | PROSECUTION SEC. 25 | CRIMINAL CODE |
|---|---|---|---|---|---|---|
| 1974 | - | 2 | - | 1 | - | - |
| 1975 | - | 23 | 2 | 5 | 1 | - |
| 1976 | 1 | 7 | 3 | 7 | - | - |
| 1977 | - | 6 | 2 | 8 | 2 | - |
| 1978 | 1 | 2 | 5 | 6 | 9 | - |
| 1979 | - | - | 1 | 7 | 11 | - |
| 1980 | - | 1 | 2 | 10 | 3 | - |
| 1981 | - | 3 | - | 5 | 10 | 2 |
| 1982 | - | 6 | - | 1 | 8 | 1 |
| 1983 | - | 5 | - | 1 | 12 | 1 |
| 1984 | - | 2 | 2 | 4 | 7 | 4 |

Carried forward

Some prosecutions stayed or dismissed, ie. statistics do not only apply to successful cases. Appeals may mean duplication, ie. reported twice as separate proceedings. Where supplier and principal charged separately, and charges dealt with separately, they are reported separately. Very often Section 24 and Section 18 are part of one case and set of proceedings.

## ENFORCEMENT PROCEEDINGS COMPLETED IN 1983

| No. | ENFORCEMENT ACTION | SUBJECT | PARTICULARS OF INVESTIGATION | COMPLETED |
|---|---|---|---|---|
| 1. | Substitute Action | CORNELL CHEVROLET OLDS OLDSMOBILE LTD. | Supplier sold a pick up truck without disclosing an Ontario lien which was subsequently filed in B.C. The vehicle was later seized from the consumer and sold. | On October 23, 1981, a Writ and Statement of Claim was issued claiming relief for the consumer by virtue of provisions of the Sale of Goods Act and TPA.<br>An out of court settlement was completed on September 23,1983 amounting to $10,000.00. |
| 2. | Assurance of Voluntary Compliance | EAGLE FORD SALES LTD. | An advertisement for a lease to purchase plan advertised a monthly unit price but did not include the full price of the transaction. | On February 14, 1983, an undertaking from the supplier to comply generally with the TPA and introduce procedures designed to prevent a recurrence of the offence was accepted. |
| 3. | Prosecution | name withheld | Supplier contracted a wheel chair ramp for $8,928.00. Independent consultants claimed a reasonable charge including profit, should not exceed $3,800.00. | On April 18, 1983, after the trial was part heard, the supplier paid $5,000.00 to the consumer and Crown Counsel Stayed the charge. |

## ENFORCEMENT PROCEEDINGS COMPLETED IN 1983

| No. | ENFORCEMENT ACTION | SUBJECT | PARTICULARS OF INVESTIGATION | COMPLETED |
|---|---|---|---|---|
| 4. | Assurance of Voluntary Compliance | EUROPEAN SPA FITNESS CENTRES | Supplier continuously advertised half price sales to the point where they could be regarded as the regular price. | On January 28, 1983, an undertaking provided by the supplier promised to comply generally with the TPA and to ensure that any Special, sale prices or other suggestions of a price benefit meant a genuine reduction or saving, from the regular price. Those persons who paid the regular price had their contract period doubled. Complementary membership was extended to patients completing physiotherapy treatment at the GF Strong Rehabilitation Centre. |
| 5. | Prosecution | name withheld | This supplier contracted and attached a porch and storeroom to a trailer home for $15,340.00. Independent experts maintain that $5,000.00 would have been a more realistic price. | April 18, 1983: Charges were dismissed. |
| 6. | Prosecution | COQUITLAM PLYMOUTH CHRYSLER LTD. | The supplier sold a 1973 Audi represented to be in perfect condition. There were severe mechanical problems that were clearly evident before sale. | On October 14, 1983 charges were Stayed after the consumer had achieved a satisfactory out of court settlement in a civil proceeding. |

## ENFORCEMENT PROCEEDINGS COMPLETED IN 1983

| No. | ENFORCEMENT ACTION | SUBJECT | PARTICULARS OF INVESTIGATION | COMPLETED |
|---|---|---|---|---|
| 7. | Prosecution | GEORGE DIMOR MOTORS LTD. | Supplier agreed to sell a motor home on consignment for $20,000.00. The owner was told that $16,685.00 was received when it had been sold for a substantially greater amount. Other charges were laid under the MDA. | On December 19, 1983, a fine of $3,000 was imposed for the TPA offence. |
| 8. | Prosecution | name withheld | Supplier represented a 1980 AMC Eagle as a demonstrator, when it had previously been sold and used for over six months. | On February 15, 1983 the Charges were Stayed as the company is now in receivership. |
| 9. | Prosecution | WHEATON PONTIAC BUICK GMC LTD. | Dealer refused to honor an advertised offer of a second car for .99¢ following the purchase of a new car at the best deal available. | A fine of $1,500.00 was imposed on June 22, 1983 and, restitution ordered in the amount of $500.00 to the consumer. |
| 10. | Prosecution | name withheld | Supplier did not honor an undertaking made to comply with the 7 day rescission period provided in the CPA. | On September 6, 1983, Crown Counsel Stayed the charges. A Receiver has been appointed. |
| 11. | Prosecution | name withheld | The supplier advertised a sale of bankruptcy stock at savings of 50 - 60 percent. Some of the sale goods were obtained direct from the factory, and prevailing report prices did not support the savings claimed. | On September 6, 1983, Crown Counsel Stayed the Charges due to a delay in arranging the trial. |

## ENFORCEMENT PROCEEDINGS COMPLETED IN 1983

| No. | ENFORCEMENT ACTION | SUBJECT | PARTICULARS OF INVESTIGATION | COMPLETED |
|---|---|---|---|---|
| 12. | Prosecution | name withheld | Supplier's salesman represented that the purchase of a bed qualified as an Income Tax deduction without a Doctor's certificate, when this was untrue. | On September 8, 1983, following restitution of $770.00, Crown Counsel withdrew the charge. |
| 13. | Prosecution | FORT MOTORS LTD. | The supplier failed to disclose to a purchaser that $30,500.00 kilometers was an inaccurate odometer reading. The vehicle had travelled 130,500 kilometers. Charges were laid against both the company and its salesman. | On July 4, 1983, both accused were found Guilty and fined $100.00. The company was ordered to pay restitution in the amount of $1,275.00. |
| 14. | Assurance of Voluntary Compliance | SANSOM DISTRIBUTORS LTD. dba FILTER QUEEN | Supplier distributed a flyer offering gifts. The true purpose of the solicitation was to demonstrate vacuum cleaners for sale. Restrictions applied to the gifts were also not disclosed. | On March 28, 1983, an undertaking to comply generally with the TPA, to ensure that the true purpose of the solicitations and restrictions applied to gifts would be disclosed. |
| 15. | Prosecution | PACIFIC HONDA AUTOMOBILE LTD. | Supplier did not honor an offer of a free deluxe locking ski rack with every purchase of a vehicle. | On June 14, 1983, a fine of $1,250.00 was imposed and the company ordered to pay a consumer $140.00. |
| 16. | Prosecution | name withheld | Consumer consigned his vehicle to this supplier for an anticipated return of $10,700.00. The supplier maintained that the vehicle had been sold for $9,000.00 when it was sold for $9,600.00 immediately after consignment. | On November 22, 1983, Charges were Stayed as the company is now out of business. |

## ENFORCEMENT PROCEEDINGS COMPLETED IN 1983

| No. | ENFORCEMENT ACTION | SUBJECT | PARTICULARS OF INVESTIGATION | COMPLETED |
|---|---|---|---|---|
| 17. | Assurance of Voluntary Compliance | AUTO-MAGIC CAR WASH (P.G.) LTD. | Supplier advertised that the charges of one tire, at the regular price, would be accompanied by a second "free" tire. The normal selling price of the tire was increased from $42.00 to $66.67 for this sale. | On November 24, 1983, an undertaking by this supplier to ensur that the regular price means the price which goods are normally offered for sale, or have been sold for, was accepted. |
| 18. | Assurance of Voluntary Compliance | DANKOE INSULATING SYSTEMS LTD. | A salesman for this supplier represented that a Federal CHIP grant was available to defray the cost of insulation, when this was not true. The contracts failed to include the rescission schedule required by the CPA. | On December 18, 1983, an undertaking by this supplier promised to ensure that future sales representations are factual, and that the rescission schedule would be included in the contracts The supplier had satisfied all consumer complaints. |